

1210.06 Federal Funds

Issued January 1, 1994

SUBJECT: Drawing and Receipting Federal Funds.

APPLICATION: Executive Branch Departments and Sub-units.

PURPOSE: To provide guidelines for drawing and receipting federal funds. Does not apply to federal funds received as representative/payee for persons in State institutions or when the State acts as a vendor in providing services to the federal government.

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SUMMARY: The Federal Cash Management Improvement Act (CMIA) of 1990, as amended, provides that agencies participating in federal programs comply with procedures for timely transfer of funds between the federal government and the State for federal grants and other programs, in accordance with CMIA regulations and/or an approved Treasury-State Agreement (TSA) between the U.S. Secretary of the Treasury and the State of Michigan.

These procedures, when implemented, reduce the State's need to borrow to cover disbursements on federal participating programs and eliminate related interest expense. Interest penalties for receiving federal funds before they are needed will also be avoided.

Agencies participating in federal programs that meet or exceed the threshold amount established for inclusion in the TSA must comply with their respective funding techniques and clearance patterns as set forth in an approved agreement between the State of Michigan and U.S. Department of Treasury under the Federal CMIA, of 1990, as amended. For specific programs included in the CMIA, agencies should stringently follow the CMIA schedule of funds request and receipt times. Agencies must not draw funds sooner than the funds are actually needed. Interest penalties are incurred when funds are not drawn in accordance with agreed upon methods. The State is required to pay interest when funds are drawn early. (Refer to Procedure 1210.04 "Depositing cash receipts" for depositing monies received.)

Agencies participating in federal programs that do not meet the threshold amount for inclusion in the CMIA Agreement must comply with Subpart B of the CMIA of 1990, as amended, when drawing federal funds. Funds are to be requested as close as is administratively feasible to the actual cash outlay by the State for the programs, and limited to the minimum amounts needed.

Treasury, Receipts Processing Division (RPD) receives all federal payment transactions made to State agencies by electronic funds transfer (EFT), including payments by Automated Clearing House (ACH) or wire transfer, according to Procedure 1210.04. State agencies are responsible for ensuring that the appropriation allotment in R*STARS is sufficient to cover program payments before initiating payment transactions.

Each agency must determine when to draw federal funds. The following should be considered when making this determination:

- Federal guidelines.
- Dates that payments using the federal funds are to be issued by the State agency.
- Method of requesting payment of federal funds – This involves the federal payment system used by a State agency to request a draw of federal funds (Smartlink, Automated Standard Application of Payment (ASAP), etc.), as specified by the federal agency overseeing the program.
- Method and timing for receiving payment of federal funds – This involves how the payment to the State agency will be processed (e.g, by ACH or wire transfer) and length of time between the agency's request for and receipt of funds in the State's bank account (receipt "window"), which varies by program from same day payment to up to three days.

APPLICABLE FORMS: ACH Enrollment forms provided by Federal program

PROCEDURES:

Treasury, Cash & Debt Management:

- With the U.S. Department of Treasury, finalizes the CMIA Agreement between the State of Michigan and the Secretary of the Treasury, United States Department of the Treasury.
- Works with agencies to determine proper timing and techniques for drawing federal funds.
- Oversees program to keep the State in compliance with CMIA requirements.
- Bills the U.S. Treasury for interest on amounts due to the State, but not reimbursed.

Agency:

- Determines the amount of funds that have been expended and are federally reimbursable.
- If federal funds have been awarded and the department is incurring expenditures, but the funds are not yet available to draw, tracks the period during which the funds were due to the State but not paid and informs Cash & Debt Management so they can bill the U.S. Treasury for interest due.
- Determines the amount of federal funds that have been received and receipted to date.
- Determines if any receipts or disbursements have been requested or made, but not posted to MAIN FACS (R*STARS or ADPICS).
- If expenditures being made for federally funded programs exceed the Remaining Appropriation Allotment on R*STARS 62 Appropriation Financial Inquiry screen, and appropriation controls prevent overspending, resolves funding needs before processing the payment.
- Immediately upon receipt, enters the deposit of any payments received in R*STARS.

- If a new federal program is to send payments by EFT, obtains and completes an enrollment form from the federal program and sends it to RPD for completion of payment information and approvals.
- Whenever a payment of federal funds is to be drawn that will be received by EFT, notifies RPD of the date or approximate date the payment will be received (if known), the amount or approximate amount if exact amount is not known, the receiving State agency and MAIN FACS agency number, the State invoice number or pin number for federal draws, and any other pertinent information (e.g., payer name, etc.).

Treasury, Receipts Processing Division:

- Reviews enrollment forms for new EFT payments or payment programs, adding information and revising as needed. If required, sends form to State Treasurer's concentration bank for approval and, once received, returns to agency for forwarding to the federal program.
- Receives EFT payments from the federal government. RPD identifies the agency for which the payment was intended based on notification provided by the agency. RPD then records the receipt in Agency Clearing Fund (D22 – 4000).

Agency:

- For payments by EFT, after Treasury records receipt of the payment in the Agency Clearing Fund, makes an R*STARS reclassification entry to properly classify revenue and otherwise processes according to program requirements.
- According to annual letter from Cash & Debt Management, provides requested data on federal funds activity for the prior fiscal year.

Treasury, Cash & Debt Management:

- By December 31, prepares and files CMIA Annual Report, for the fiscal year ending September 30, with the U.S. Treasury based on data provided by agencies.

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Procedure 1210.06

Procedure Update: 12/22/03